

HM Government

Review into the Integrity and Assurance of Food Supply Networks

Note of telecom with Elior

Location: Conference Call

Date: 18 November 2013

Attendees:

Jane Bates – Purchasing Director

Paul Averill – Head of Safety and Wellbeing

Robin Comerford – Healthcare Development Director

Professor Chris Elliott – Independent Reviewer – Review into the Integrity and Assurance of Food Supply Networks

Mike Steel - Subject Matter Expert – Review into the Integrity and Assurance of Food Supply Networks

Rebecca Kenner – Secretariat, Review into the Integrity and Assurance of Food Supply Networks

Nick Hughes – Secretariat, Review into the Integrity and Assurance of Food Supply Networks

1. Chris Elliott (CE) introduction

CE thanked Elior for taking the time to contribute to his Review. He noted that to date he has had many conversations with businesses from the food processing and retail sectors but less engagement with the catering sector and hence he was interested in finding out about how Elior's supply chain operates.

2. Elior systems of supply chain assurance

It was explained that as a provider of integrated services Elior purchases a huge range of food and non-food products. Food suppliers are selected through a robust tender process designed to ensure they meet Elior's own specifications. Suppliers must have the appropriate accreditation and meet Elior's terms and conditions. Contracts vary depending on the food category and the size of the deal but a typical contract would last between two and five years. The majority of the products Elior procure come from 'core suppliers'. Fresh meat is supplied by a consortium of three regional butchers and fruit and vegetables are supplied by two key local suppliers.

Elior require that suppliers have third party accreditation but also carry out their own supplier audits of management systems and quality controls, working to Elior's evaluation criteria. Each supplier can expect to be visited on at least an annual basis. In cases where Elior have reason to suspect a potential problem or non-compliance they will carry out an unannounced supplier audit but these are relatively rare; the majority of audits carried out on their behalf are announced. Elior's own auditors work to criteria as specified by Elior but fraud is not currently included within those criteria. Elior would welcome new guidelines on what auditors should look for in relation to fraud.

Mike Steel (MS) noted that the downside to announced audits is that suppliers are able to plan in advance for the visit of the auditor. He explained that fraudsters are sophisticated and take into account all potential risks when planning their operations. He also suggested that fraudsters deliberately develop good relationships with auditors in order to exert influence over them. Elior said they operate a rotation system for their auditors meaning it would be unlikely that an auditor would visit the same plant more than once in a five year period. MS suggested this was an example of good industry practice.

MS asked to what extent Elior relied upon inspections carried out by environmental health officers and trading standards officers to identify problems with product integrity? Elior said they didn't rely on inspections at all, partly because they were not able to access information about these inspections, and relied instead on their own accreditation of suppliers.

3. Horizon scanning

In response to a question by CE on whether they track or monitor commodity price fluctuations, Elior said every month buyers input a forecast of what they expect price movements to be over the coming month and use these forecasts as a basis for negotiating terms with suppliers and plan for any product price inflation. For example, they were able to mitigate against the expected rise in the price of fresh potatoes due to last year's failed crop by committing to a long-term deal on frozen potato products ahead of time. Terms are negotiated with fresh meat suppliers on a quarterly basis in order to smooth out peaks and troughs in price. For some commodities – notably fresh produce – terms are negotiated on a more regular basis. Any increase in price is benchmarked against the market and Elior also holds regular meetings with European colleagues to analyse price trends across the continent and discuss best practice. Elior said that where commodity prices have increased they have historically been concerned with the impact on their own prices and have not considered these anomalies as indicators of potential fraud.

Elior also noted that whilst this information on price forecasting is kept confidential from their suppliers in order to protect their commercial interest, they would be willing to share it, on an anonymised basis, as part of any intelligence gathering exercise to prevent food fraud.

4. Response to horse meat contamination

Following the horse meat incident, which Elior said came as a shock, they created a 'Product Assurance Committee' (PAC) which held daily meetings to keep on top of developments and Elior carried out an immediate full audit of their beef supply chain. They demanded statements of authenticity from all of their beef suppliers and insisted they test all of their products for horse meat. Elior also carried out their own internal sampling

programme of beef products, which went beyond beef products and included some sampling of gelatine. They are currently in the process of introducing a statement within their contracts that requires suppliers to guarantee the authenticity of every product they supply. Suppliers are expected to carry out their own tests on an ad hoc basis but where Elixor have a suspicion that there is a risk of fraudulent activity they will insist that suppliers carry out product sampling. During the horse meat incident, all samples were sent to UKAS accredited laboratories for PCR testing.

5. Information sharing

MS asked whether Elixor had a system for sharing information on food fraud. Elixor said they received some information through the British Hospitality Association but would warmly welcome a more formal mechanism for sharing information both as a giver and a receiver. CE noted that there is currently reluctance among the industry to share information with the FSA on account of the FSA's instinct to make public any information it receives; Elixor advised that they were aware their competitors had experienced some confusion during the horse meat crisis over what exactly was required by the FSA and largely relied on the BHA for guidance during this incident. CE said that one of his recommendations will address the issue of how companies can share information without worrying that it will come back and bite them. He noted there needs to be a trusted central repository where information can then be analysed, anonymised and fed back to both the industry and regulators in the form of intelligence. Elixor agreed that this would be a good idea.

6. Tender process

CE said he had spoken to some companies who claimed to have lost tenders to rivals at a price at which they believed the food could not possibly have been produced honestly (e.g. to the specification required by the tender). He asked whether Elixor had any experience of such a tender process? Elixor said it hadn't within the procurement section, and that losing a catering tender in that division is usually due to an investment that another company is making. It was noted that price is a significant factor in the tender process for many of Elixor's customers. However, in Elixor's healthcare division, for instance, private care home providers are more likely to use price as their key metric whilst local housing associations tend to prioritise quality above price (in a 60/40 split). One of the areas that Elixor feel makes their tender bids more successful is that all of the responses are guided by what is set out in legislation, meeting the regulatory standards for nutrition set out in the Health and Social Care Act 2012. From the procurement side, if Elixor received a tender at a price well below other competitors bidding for the contract, that would raise suspicions and Elixor would generally walk away from that supplier. It was noted that if there was a mechanism for feeding in this information to a central hub then Elixor would be keen to do so.

7. Any other business

CE explained that he intends to publish his interim report in early December. His aim for the second half of the Review is to discuss with stakeholders the recommendations made in his interim report and explore how they can be delivered. All parties expressed an interest in meeting again in the New Year, either on a one-to-one basis or as part of a wider industry discussion.

5 December 2013